

STATE OF CALIFORNIA  
FINANCE LETTER - COVER SHEET  
FOR FISCAL YEAR 09-10  
DF-46 (WORD Version)(REV 04/08)  
Please report dollars in thousands.

Department of Finance  
915 L Street  
Sacramento, CA 95814  
IMS Mail Code: A-15

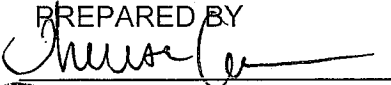
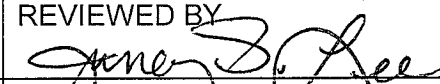
FL # 1	PRIORITY NO. 1	ORG. CODE 5160	DEPARTMENT Rehabilitation
PROGRAM Vocational Rehabilitation	ELEMENT 10	COMPONENT 10:10	

TITLE OF PROPOSED CHANGE  
American Reinvestment and Recovery Act (ARRA) of 2009 – Vocational Rehabilitation (VR) Federal Stimulus Funds

SUMMARY OF PROPOSED CHANGES

This Finance Letter requests authority to expend \$51.5 million (\$43.6 million in FY 09-10 and \$7.9 million in FY 10-11) in federal VR stimulus funds to stimulate California's economy and increase employment of Californians with disabilities, especially those with the most significant disabilities. Pursuant to ARRA federal guidelines, the funds will be invested to enhance VR service delivery, IT infrastructure, accessible technology, and staff development to enlarge the State's capacity to generate employment outcomes for Californians with disabilities. ARRA funds are authorized under Title 1, Part B of the Rehabilitation Act (Act) and must be used consistently with the statutory and regulatory requirements for the VR State Grants program, as well as applicable requirements in the General Education Provisions Act (GEPA) and the Education Department General Administrative Regulations (EDGAR).

REQUIRES LEGISLATION  <input type="checkbox"/> YES <input type="checkbox"/> NO	CODE SECTION(S) TO BE AMENDED/ADDED	BUDGET IMPACT—PROVIDE LIST AND MARK IF APPLICABLE <input type="checkbox"/> ONE-TIME COST <input type="checkbox"/> FUTURE SAVINGS <input type="checkbox"/> FULL-YEAR COSTS <input type="checkbox"/> REVENUE <input type="checkbox"/> FACILITIES/CAPITAL COSTS
---	-------------------------------------	---

PREPARED BY 	DATE 6/2/09	REVIEWED BY 	DATE 06/02/09
DEPARTMENT DIRECTOR	DATE 6/2/09	AGENCY SECRETARY	DATE 6-2-09

DOES THIS BCP CONTAIN INFORMATION TECHNOLOGY (IT) COMPONENTS? YES ☒ OR NO ☐  
IF YES, DEPARTMENT CHIEF INFORMATION OFFICER SIGNATURE  DATE 6-2-09

FOR IT REQUESTS, SPECIFY THE DATE A SPECIAL PROJECT REPORT (SPR) OR FEASIBILITY STUDY REPORT (FSR) WAS APPROVED BY THE OFFICE OF THE CHIEF INFORMATION OFFICER (OCIO), OR PREVIOUSLY BY THE DEPARTMENT OF FINANCE.

DATE PROJECT # FSR ☐ OR SPR ☐

IF PROPOSAL AFFECTS ANOTHER DEPARTMENT, DOES OTHER DEPARTMENT CONCUR WITH PROPOSAL?

☐ YES ☐ NO ATTACH COMMENTS OF AFFECTED DEPARTMENT, SIGNED AND DATED BY THE DEPARTMENT DIRECTOR OR DESIGNEE.

DEPARTMENT OF FINANCE ANALYST USE  
(ADDITIONAL REVIEW)

CAPITAL OUTLAY ☐ ITCU ☐ FSCU ☐ OSAE ☐ CALSTARS ☐ OCIO ☐

DATE SUBMITTED TO THE LEGISLATURE: PPBA:

STATE OF CALIFORNIA  
BUDGET CHANGE PROPOSAL—FISCAL DETAIL  
STATE OPERATIONS  
DF-46 (REV 04/08)  
*Please report dollars in thousands*

Department of Finance  
915 L Street  
Sacramento, CA 95814  
IMS Mail Code: A-15

FL # 1	DATE 4-20-09	TITLE OF PROPOSED CHANGE VR ARRA Funds				
PROGRAM Vocational Rehabilitation	ELEMENT 10	COMPONENT 10:10				
	PERSONNEL YEARS					
	CY	BY	BY + 1	CY	BY	BY + 1
TOTAL SALARIES AND WAGES <sup>1</sup>				\$	\$2000	\$400
SALARY SAVINGS	-	-	-	-	-	-
NET TOTAL SALARIES AND WAGES				\$		
STAFF BENEFITS <sup>2</sup>				\$		
TOTAL PERSONAL SERVICES				\$	\$2000	\$400
OPERATING EXPENSES AND EQUIPMENT <sup>3</sup>						
GENERAL EXPENSE					2550	250
PRINTING					200	
COMMUNICATIONS					300	100
POSTAGE					100	
TRAVEL—IN STATE					400	100
TRAVEL—OUT OF STATE						
TRAINING					1200	300
FACILITIES OPERATIONS					6700	
UTILITIES						
CONSULTING & PROFESSIONAL SERVICES: Interdepartmental <sup>3</sup>					200	
CONSULTING & PROFESSIONAL SERVICES: External <sup>3</sup>						
DEPT OF TECHNOLOGY SERVICES CONSOLIDATED DATA CENTER						
DATA PROCESSING					2000	
EQUIPMENT <sup>3</sup>						
DEBT SERVICE						
OTHER ITEMS OF EXPENSE: (specify below)						
Services to Consumers					26150	6750
Vending Stand					1800	
TOTAL OPERATING EXPENSES AND EQUIPMENT				\$	\$41600	\$7500
SPECIAL ITEMS OF EXPENSE <sup>4</sup>				\$		
TOTAL STATE OPERATIONS EXPENDITURES				\$	\$43600	\$7900
SOURCE OF FUNDS	APPROPRIATION NO.					
	ORG	REF	FUND			
GENERAL FUND				\$	\$	\$
SPECIAL FUNDS				\$	\$	\$
FEDERAL FUNDS	5160	001	0890	\$	43600	7900
OTHER FUNDS (SPECIFY)				\$	\$	\$
REIMBURSEMENTS				\$	\$	\$

<sup>1</sup> ITEMIZED DETAIL ON PAGE I-3 BY CLASSIFICATION AS IN SALARIES AND WAGES SUPPLEMENT.

<sup>2</sup> PROVIDE DETAIL ON PAGE I-3.

<sup>3</sup> PROVIDE LIST ON PAGE I-4.

<sup>4</sup> SPECIAL ITEMS OF EXPENSE MUST BE TITLED. PLEASE REFER TO THE UNIFORM CODES MANUAL FOR A LIST OF THE STANDARDIZED SPECIAL ITEMS OF EXPENSE OBJECT WHICH MAY BE USED.

## LOCAL ASSISTANCE AND DETAIL OF STAFF BENEFITS AND PERSONAL SERVICES

	CY	BY	BY + 1
STAFF BENEFITS DETAIL	(WHOLE DOLLARS)		
OASDI	\$		
HEALTH INSURANCE			
RETIREMENT <sup>3</sup>			
WORKERS' COMPENSATION			
INDUSTRIAL DISABILITY LEAVE			
NON-INDUSTRIAL DISABILITY LEAVE			
UNEMPLOYMENT INSURANCE			
OTHER			
TOTAL <sup>2</sup>	\$		

<sup>3</sup> LIST TYPE OF RETIREMENT, I.E., MISCELLANEOUS, SAFETY, INDUSTRIAL, ETC.

**SUPPLEMENTAL INFORMATION***Please report dollars in thousands.***DEPARTMENT**  
Rehabilitation**FL#**  
1**FISCAL YEAR**  
09-10**IDENTIFY ALL PROPOSED ITEMS WHICH FIT INTO THE CATEGORIES LISTED BELOW. SEE INSTRUCTIONS ON PAGES I-7 AND I-8.**

	CURRENT YEAR	BUDGET YEAR	BUDGET YEAR + ONE
<b>PROPOSED EQUIPMENT</b>			
<b>TOTAL</b>	\$	\$	\$
<b>PROPOSED CONTRACTS</b>			
<b>TOTAL</b>	\$	\$	\$
<b>ONE-TIME COSTS (LIST BY ITEM)</b>			
<b>TOTAL</b>	\$	\$	\$
<b>FUTURE SAVINGS</b>			
<b>TOTAL</b>	\$	\$	\$
<b>FULL-YEAR COST ADJUSTMENTS</b>			
<b>TOTAL</b>	\$	\$	\$
<b>FACILITIES/CAPITAL COSTS *</b>			
<b>TOTAL</b>	\$	\$	\$

\* Indicate one-time or ongoing.

## **A. NATURE OF REQUEST**

The federal Rehabilitation Services Administration (RSA) has awarded \$56.5 million in additional federal funding through the American Recovery and Reinvestment Act of 2009 (ARRA) to the Department of Rehabilitation (DOR) for Vocational Rehabilitation services. Fifty percent (\$28.3 million) of the funds were made available on April 1, 2009, and the remaining \$28.3 million will be awarded in September 2009. All the funds must be fully obligated by September 30, 2011. The RSA has awarded these funds in addition to the annual grant award and these funds are to be used to supplement that award, not as a replacement. The receipt and expenditure of the ARRA funds does not require any state match.

The DOR is the designated state administrative unit responsible for California's Vocational Rehabilitation (VR) program authorized by the federal Rehabilitation Act (Title IV of the Workforce Investment Act), and administers the largest VR program in the country, annually providing services to approximately 120,000 adults and youth with significant physical and mental disabilities to assist them to prepare for and obtain competitive employment and live independently in their communities. Services are provided through approximately 2,000 employees and a \$400 million budget comprised of federal funds (84%), State General Fund (14%) and other state match (2%).

The VR program is not an entitlement program. Lacking sufficient funding to serve all eligible consumers, the DOR is currently operating under an Order of Selection (OOS) process. Federal regulations stipulate that whenever a state has insufficient funds to serve all eligible applicants for vocational rehabilitation services, an OOS system must be developed and implemented that will ensure that individuals with the most significant disabilities are served first. The DOR has been operating under an OOS process since September 1, 1995, and is currently providing services to all eligible individuals determined to have the most significant disabilities (Category I) and eligible applicants determined to have significant disabilities (Category II). The DOR has not provided services to Californians ranked as disabled in Category III since 1995, but rather has placed applicants in this category on a waiting list until funds become available to provide services.

The VR ARRA funds constitute a large one-time infusion of VR state grant funding that offers the opportunity to: make short term program improvements that provide long term benefits; increase employment outcomes for individuals with disabilities, especially those with the most significant disabilities; and to make an investment in the future to increase the capacity to generate outcomes. The Rehabilitation Services Administration (RSA), the federal oversight agency, has issued the following guidelines regarding use of the funds.

### **VR ARRA Fund Uses**

#### **I. VR Improving Performance and Serving More Individuals**

- a) Serving individuals on waiting lists in agencies currently using an order of selection
- b) Increasing services to eligible consumers
- c) Expanding services to traditionally underserved and unserved populations in the state, including students with disabilities transitioning from school to the workplace
- d) Conducting intensive residential summer career development activities for transition-age youths

#### **II. VR Staff Development**

- e) Supporting the enrollment of VR counselors in courses or training programs for the purpose of meeting the agency's federally mandated personnel standard under its Comprehensive System of Personnel Development which requires a Masters Degree
- f) Internships for students enrolled in VR counselor training programs
- g) Increasing the proficiency of VR counselors and other personnel in job search and placement techniques
- h) Supporting staff participation in professional development programs
- i) Training of VR counselors and other personnel in the purchase and use of rehabilitation technology
- j) Training VR agency and school personnel in the provision of services to transition-age youths with disabilities
- k) Training VR counselors and other persons who provide VR services on effective and innovative evidence-based VR practices to improve employment outcomes for persons with

disabilities

- l) Training staff to improve the capability of the agency to analyze and use data to improve VR services and employment outcomes.

### III. VR State Agency Infrastructure including Technology

- m) Upgrading hardware and enhancing servers needed to support new or improved case management systems
- n) Purchasing equipment to enable and improve remote access of personnel in the field such as laptops and portable printers
- o) Converting from hard copy to electronic case files, including the purchase of equipment or the hiring of contractors to perform this task
- p) Purchasing, installing, and training staff on use of video conferencing systems to enhance communication between field offices and state office
- q) Improving the accessibility of technology used by agency counselors and employees with disabilities
- r) Upgrading data systems in order to realign with RSA reporting requirements
- s) Upgrading data systems to support real-time access to data report
- t) Conducting independent evaluation of VR agency program operations and performance

### IV. VR Program Management including Quality Assurance and Improved Use of Data

- u) Developing employer databases for the purpose of matching individuals with disabilities with job openings

The DOR will utilize ARRA funds to improve performance and to provide services to more Californians with disabilities, to develop DOR staff, to improve the infrastructure and to improve quality and the use of data. Specifically, the DOR will utilize the funds through the following projects:

	Projects	FY 09-10	FY 10-11	Description
1	<b>VR Improving Performance and Serving More Individuals</b> Expansion of consumer services to unserved and underserved  "Federal ARRA guidelines I. b and c"	\$17,900,000	\$4,400,000	Create new opportunities for non-State VR Providers to offer services to unserved and underserved populations and to provide expanded and enhanced VR services – especially those leading to employment outcomes. Some high priority needs have been identified such as employment placement services programs for specific populations such as individuals with Autism, individuals with Traumatic Brain Injury (TBI), veterans with Post Traumatic Stress Disorder, migrant farm workers, and ex-felons.
2	<b>VR Improving Performance and Serving More Individuals</b> Services to Category III,  "Federal ARRA guidelines I. a, b and c"	\$1,250,000	\$250,000	Provide short-term VR services to approximately 400 consumers on the waiting list as of 3-31-09 in Category III (Individuals with Disabilities) to assist in obtaining and retaining employment.
3	<b>VR Improving Performance and Serving More Individuals</b> Employment Training and Career	\$7,000,000	\$1,750,000	Provide consumers with increased opportunities for on-the-job training to facilitate direct job placement opportunities with minimal costs to the business/employer, and Self-Employment training to assist DOR consumers' transition into self-employment.

	Development "Federal ARRA guidelines I. c"			
4	<b>VR Improving Performance and Serving More Individuals</b> Marketing, Outreach and Communications to consumers and employers  "Federal ARRA guidelines I. b and c"	\$ 450,000	\$ 250,000	Improve the marketing of services to employers, improve outreach to people with disabilities, including historically unserved and underserved populations, and enhance internal and external corporate communications.
5	<b>VR Staff Development</b> Masters Degree Support – Specialized training for Counselors  "Federal ARRA guidelines II. e and g"	\$ 600,000	\$ 200,000	Increase the professional capacity to provide quality services by offering tuition support for existing Senior Vocational Rehabilitation Counselors, Rehabilitation Supervisors, and Rehabilitation Administrators to comply with federal Masters Degree educational requirements and offering specialized staff training. Training subjects will include Autism, Diversity/Cultural Competency, Handling Difficult Consumers, and Supervision.
6	<b>VR Staff Development</b> Capacity Building Paid Internships  "Federal ARRA guidelines II. e and f"	\$1,000,000	\$400,000	Offer paid Internships to facilitate opportunities for students in Rehabilitation Counseling degree programs to gain experience working in an actual vocational rehabilitation environment, which will facilitate the recruitment and hiring of students that meet the federal standards into the DOR's primary counselor classification.
7	<b>VR State Agency Infrastructure Including Technology</b> Bandwidth, Video Conferencing - includes hardware upgrades and data protection.  "Federal ARRA guidelines II. m,n,o,p,q"	\$4,200,000		Increase accessibility and improve network data transfer speed to reduce delays in processing information from 85 field offices. The DOR field offices are experiencing excessive delays in their ability to perform routine data processing functions due to insufficient bandwidth. Staff is experiencing significant delays between keystrokes and software time-outs as well as complete shutdown of their systems. This time-loss reduces productivity and creates delays in providing services to DOR consumers, stakeholders, and business partners. Expanded video conferencing capability will allow the DOF to offer training classes via video conferencing on current core counselor classes to enhance the knowledge base of the counselors and DOR support staff, and result in better improve service delivery to consumers.

8	<b>VR State Agency Infrastructure Including Technology</b> Mobile Assistive Technology/ Remote/Accessible Counseling and Vehicle Modification  "Federal ARRA guidelines III. o"	\$ 700,000	\$ 250,000	Expand the DOR's ability to evaluate and identify appropriate accessible technology needs of consumers, including adding a mechanical remote steering device to a State-owned driving evaluation vehicle, purchasing, modifying, and equipping one van and modifying a State-owned van. Provide VR counselors with equipment and resources to work in remote underserved locations to improve access to services for DOR consumers and employers and increase counselor productivity by giving them the tools they need to work independently and be fully functional outside of their traditional office setting.
9	<b>VR State Agency Infrastructure</b> Business Enterprise Program (BEP)  "Federal ARRA guidelines I. b and c"	\$1,800,000		Increase business and employment opportunities for blind and visually impaired Californians. The DOR will work with Business Enterprise Providers and Caltrans to include vending facilities in existing rest areas that are managed and maintained by persons with disabilities, and establishing owned and operated vending facilities.
10	<b>VR State Agency Infrastructure</b> Orientation Center for the Blind (OCB) Repairs and Maintenance  "Federal ARRA guidelines I. b and c"	\$6,700,000		One-time renovation project for OCB buildings, grounds, and equipment will 1) implement energy efficiencies, 2) comply with current building codes, 3) replace antiquated equipment and furnishings, 4) retrofit building space to effect savings in future staff and client training costs to the Department, and 5) purchase needed assistive technology for blind and visually impaired DOR consumers.
11	<b>Staffing Resources</b>	\$2,000,000	\$400,000	Ensure adequate staffing is available to plan, monitor, implement and report the services resulting from the ARRA funds. Staffing will be utilized in Financial Services, Information Services, Human Resources, and Employment Preparation Services.
	<b>Total</b>	<b>\$43,600,000</b>	<b>\$7,900,000</b>	

## B. BACKGROUND/HISTORY

The DOR is the designated state administrative unit responsible for California's Vocational Rehabilitation (VR) program authorized by the federal Rehabilitation Act (Title IV of the Workforce Investment Act). Pursuant to the Rehabilitation Act, the DOR provides VR services to approximately 120,000 consumers with significant physical and mental disabilities annually to assist them in preparing for and obtaining competitive employment in the community. Approximately 800 DOR counselors, along with support staff, provide direct services in 85 offices throughout California to consumers with disabilities who require multiple services over an extended period of time.

ARRA funds are available for the VR state grants program authorized under Title 1, Part B of the Rehabilitation Act (Act) and must be used consistently with the statutory and regulatory requirements for the VR State Grants program, as well as applicable requirements in the General Education Provisions Act (GEPA) and the Education Department General Administrative Regulations (EDGAR).



These funds constitute a large, one-time infusion of VR grant funding and offers the State a unique opportunity to improve employment outcomes for Californians with significant disabilities.

### **C. STATE LEVEL CONSIDERATIONS**

The Governor supports the receipt of federal stimulus funding and has stated that California should seize as many of the available federal economic stimulus dollars as possible to help our unemployed, put people to work, and provide tax relief to Californians. The DOR will utilize ARRA funds to increase the capacity of the department to provide services and to generate employment outcomes in the short term and in the future. There is no impact to other state departments. These projects will be 100% federally funded

As authorized by the federal Office of Management and Budget (OMB), a portion of the funding received under the American Recovery and Reinvestment Act (ARRA) will be used to provide support for the California Recovery Task Force (CRTF) and for the ARRA oversight and administrative activities of the various departments administering those funds. Pursuant to Executive Order S-02-09, CRTF is charged with tracking the ARRA funding coming into the state; helping cities, counties, non-profits, and others access the available funding; ensuring that the funding provided to the state is spent efficiently and effectively; and maintaining a Web site that is frequently and thoroughly updated so Californians can track the stimulus dollars. The mechanism for accessing these federal funds and for allocating them to the CRTF and state entities administering ARRA funds is under development and is not available to include in this estimate. Consequently, a future Section 28.00 request may be submitted in the coming months to properly increase the department's federal funds reimbursement authority to fund the cost of accountability and related administrative and transparency activities.

### **D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS**

None. The DOR has identified \$6.7 million in improvements to its Orientation Center for the Blind (OCB) in Albany, California. The improvements will not alter or change the use of the OCB, but rather will increase the capacity, quality, and effectiveness of the services for Californian's who are blind or visually impaired to live independently in their communities.

### **E. JUSTIFICATION**

The DOR is the responsible state agency for the provision of VR services to individuals with disabilities to assist them prepare for, secure, retain, or regain employment. This Finance Letter supports all five of the Department's goals for meeting its mission:

- 1) Increase the quality and quantity of employment outcomes.
- 2) Increase the effectiveness and efficiency of VR services delivery.
- 3) Increase the number of Supplemental Security Income/Social Security Disability Insurance beneficiaries at or above Substantial Gainful Activity.
- 4) Improve the recruitment and retention of qualified rehabilitation professionals.
- 5) Increase equality for persons with disabilities through systems change.

Consistent with the guidance from the federal government, the DOR will use the one-time infusion of VR funds to provide services to individuals on the waiting list; increase services to eligible consumers by providing on the job training and internship opportunities; expand services to traditionally underserved and unserved populations through the use of establishment projects and enhanced employment services, and increase the capacity to provide services through specialized training, and improvements to the infrastructure.

The DOR will utilize temporary help positions to plan, monitor, implement, track and report on the ARRA funded projects. The DOR will hire retired annuitants that are experienced rehabilitation counselors, and employment placement specialists to; provide services to individuals on the waiting list; to provide expanded and enhanced employment placement services to existing consumers; and to develop employment contacts in the communities. In addition, temporary staff, including retired annuitants and student assistants, will be hired to assist with the administrative and reporting requirements that are created as a result of the ARRA funded projects. Staffing will be utilized in

Financial Services, Information Services, Human Resources, and Employment Preparation Services. Duties will include: processing invoices and contracts; procuring goods and services; tracking outcomes and expenditures; completing federal and state reporting requirements; providing staff training; and providing job development.

In April 2009 the DOR will begin to recruit retired DOR counselors and solicit student assistants through the local colleges. These employees will be monitored by the ARRA project manager and tracked separately through the use of a unique blanket code with all associated costs charged to the ARRA funds. Expenditures and activities will be reported in accordance with the State and Federal reporting requirements. Use of these employees will be discontinued as of September 30, 2011.

#### **F. OUTCOMES AND ACCOUNTABILITY**

The DOR's Project Manager and Project Oversight Office will manage the project to ensure that it adheres to the schedule described in the federal guidelines. The Project Manager will be responsible to review and monitor project deliverables and activities, and to document this information in support of reporting requirements to the Governor's Oversight Office, the California Health and Human Services Agency, and the Rehabilitation Services Agency.

The Project Oversight Office and Budget Office will monitor all activities and resources expended on the stimulus projects, and will prepare and submit all required reports.

#### **G. ANALYSIS OF ALL FEASIBLE ALTERNATIVES**

##### **Alternative 1: Maintain Status Quo**

Pro: No additional staff time or one-time costs will be incurred.

Con: The DOR would not be in compliance with the Administrations instructions to maximize the use of one-time ARRA funds and would lose the opportunity to increase the capacity to provide services to Californians with disabilities.

##### **Alternative 2: Increase the capacity to generate outcomes and the capacity to provide services through short term federally funded VR program enhancements.**

Pro: The one time ARRA funds offer an opportunity to increase the DOR's capacity to provide additional services to Californians with disabilities in the short term and to increase the capacity to generate outcomes in the future, resulting in more employment outcomes for Californians with disabilities.

Con: Requires redirected staffing resources.

#### **H. TIMETABLE**

April 2009 – Recruit Retired Annuitants and Student Assistants

May 2009 – Implement current year activities and purchases

July 2009 – Implement second year activities and purchases

July 10, 2009 – First report due to federal oversight agency and thereafter quarterly

July 2010 – Implement third year activities and purchases

September 2011 – All funds obligated

December 2011 - All funds liquidated

#### **I. RECOMMENDATION**

Approve the request for additional federal authority to implement the identified federal stimulus projects.